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SUBJECT: SCENESETTER FOR ACTING ADMINISTRATOR FULGHAM's OCTOBER 22-24 VISIT TO STOCKHOLM AND THE EUROPEAN DEVELOPMENT DAYS

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¶11. (U) Summary and Introduction: The U.S. Embassy in Stockholm warmly welcomes your visit to Sweden. The Government of Sweden is focusing its EU Presidency on several global priorities, including the financial crisis, climate change and development issues. Bilateral US-Sweden relations are close and collaborative. Sweden is the world's largest donor of development assistance measured as a percentage of Gross National Income. Sweden devotes one percent of its GNI to development cooperation, totaling \$4.8 billion, of which nearly \$2 billion (45%) is devoted to Africa via multilateral organization and Swedish bilateral aid program.

¶12. (SBU) In 2008, Sweden provided some \$57.5 million to Afghanistan, making the country the largest recipient of Swedish development assistance in Asia. This number will increase by approximately 10% each year through 2011. In addition, Sweden expects to provide nearly \$17.5 million in humanitarian assistance to Afghanistan in ¶2009. In your bilateral meetings with Aid Minister Carlsson and SIDA Director General Nordstrom, we recommend you encourage Sweden to expand its commitment to Afghanistan and consider doing more in Pakistan. Your interlocutors are also likely to ask for greater coordination between USG and GOS aid strategies. End Summary and Introduction.

European Development Days

¶13. (U) Now in its fourth year, European Development Days (EDD) is Europe's foremost annual platform for discussion in key areas of governance, climate change, international finance, trade, food security, water, energy, the role of the media and human and social rights. Speakers this year include Fredrik Reinfeldt, Swedish Prime Minister; Jos-Manuel Barroso, European Commission President; IMF chief Dominique Strauss-Kahn; and leaders of the World Bank, Asian Development Bank and African Development Bank. Amr Moussa, Secretary General of the Arab League, will also be speaking, along with UNDP administrator Hellen Clark, the Presidents of Liberia, Sierra Leone, Maldives, Burkina Faso and Micronesia and the Prime Ministers of Bangladesh, Kenya and Zimbabwe.

Swedish Development Assistance

¶14. (U) Sweden is the world's largest donor of development assistance measured as a percentage of Gross National Income. Sweden devotes one percent of its GNI to developing cooperation, totaling \$4.8 billion, of which nearly \$2 billion (45%) is devoted to Africa. In addition, Sweden has one of the world's top ten aid programs in terms of absolute numbers. In the 2010 budget bill, the GOS proposes a budget for development assistance of continued one percent of GNI in 2010. However, a reduction in real numbers of Swedish development is expected as the downturn in the global economy has had a negative impact on Swedish growth. As a result, the development assistance budget will drop from \$4.8 billion in 2009 to \$4.5 billion in 2010.

Swedish Development Programs

¶15. (U) The Swedish International Development Cooperation Agency (SIDA) is responsible for most of Sweden's development assistance. SIDA reports to the Swedish Ministry for Foreign Affairs (MFA). The Swedish Government sets the budget parameters for SIDA, but gives the agency "free hands" to carry out its missions in accordance with Swedish development policies. Of the \$4.8 billion budgeted for development cooperation, SIDA is responsible for approximately \$2.4 billion. The rest is distributed through the Ministry for Foreign Affairs via multilateral and bilateral programs.

Swedish Development Policies

¶16. (U) Swedish development policies are based on two pillars. Firstly, that all policies should work toward the same goal of sustainable development. Secondly, all development assistance should work to create conditions for poor people to improve their living conditions. Sweden has made clear that its overarching priorities are democracy and human rights, environment and climate, and gender equality and the role of women in development. Sweden is prioritizing more tangible results in the cooperation assistance and plans to bring to attention, and systemize the follow up of, results against goals.

¶17. (U) Sweden believes that the recipient countries' own strategies for reducing poverty should be the foundation for the efforts that Sweden undertakes within the development cooperation area. Aid should be governed by demand, and decisions on priorities and efforts should, to a greater extent, be made in the poor countries by the governments and the populations of the countries in question.

Geographic Distribution of Swedish Aid

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¶18. (U) Most cooperation countries are located in Africa, south of the Sahara, as this geographical area has the largest proportion of poor people in the world. Moreover, the countries there are furthest from reaching the Millennium goals. The top five African recipients of Swedish aid in 2008 were; Tanzania (\$105 million), Mozambique (\$102 million), Uganda (\$54.6 million), Kenya (\$53.6 million) and the Democratic Republic of Congo (\$43.7 million).

¶19. (U) Sweden's military supports international efforts to stabilize Africa. Until September 15 of this year, Sweden provided three Navy vessels (two corvettes and a support ship) with a total of 152 crew and maintenance personnel to protect ships carrying food and other urgent supplies in the Gulf of Aden off Somalia. The EU recently extended the mandate for Operation Atlanta until December 2010, and Sweden is currently preparing legislation to extend its naval mission there. Sweden has also increased its commitment to sending support to conflict areas, where people are especially vulnerable. Lack of democracy, human rights, peace and security make the preconditions especially difficult for aid, but the need there is also the greatest.

Afghanistan

¶110. (U) In 2008, Sweden provided some \$57.5 million in bilateral assistance to Afghanistan, making the country the largest recipient of Swedish assistance in Asia and one of the largest in the world. The most important sectors were as follows:

- Democracy, human rights and good governance,
- Education,
- Infrastructure (roads), health care, support for the physically disabled and mine clearance,
- Humanitarian assistance. Sweden also provided an additional \$22.5 million through grants to major international organizations, such as the UN, EU and World Bank.

¶111. (U) Since the summer of 2007, Sweden has earmarked 15-20% of total bilateral assistance funds to the four Northern provinces that

Sweden is responsible for (Balkh, Samangan, Jowzjan, Sar-e-Pul). In the new Swedish strategy, this will increase to 20-25%, and the number of civilian development advisers will rise from one to four. In addition, in 2009 Sweden expects to provide nearly \$17.5 million in humanitarian assistance to Afghanistan.

¶112. (U) Aside from financial aid, Sweden assists Afghan efforts with military assistance. There are currently about 450 troops in Afghanistan and the forces are likely to increase to 500 by the end of the year. The Swedes have donated a C-130 for use by ISAF HQ command. Sweden has contributed two "Operation and Mentoring Liaison Teams" (OMLTS), of which the second just arrived in Afghanistan. The annual Afghanistan bill is currently making its way through Parliament, and expectations are that Sweden will at least maintain its current military commitment and increase its development aid.

¶113. (SBU) In your bilateral meetings in Stockholm,, you may wish to urge Sweden to consider expanding further its assistance activities in Afghanistan and to broaden its minuscule program in Pakistan. You may also wish to ask about what Sweden is doing as EU President to guide EU efforts, including through its efforts to lead the 27 Member States in drafting a new Afghanistan-Pakistan strategy.

Recent Developments

¶114. (U) Sweden recently contributed \$14.5 million to combat the food crisis and the impact of the financial crisis in the poorest countries. The GOS has given an additional grant to the International Fund for Agricultural Development (IFAD), which is to be used primarily to support small-scale agriculture in developing countries. Up to 25% is to be used by IFAD, in cooperation with the United Nations Food and Agriculture Organization (FAO), to pay for technical expertise to support small-scale agricultural projects.

¶115. (U) Development Minister Carlsson recently told journalists she was upset with the proposed voting changes in the World Bank. Sweden is one of the largest contributors to the World Bank and is unhappy to see its influence reduced. Carlsson has stated that someone (Sweden) needs to be there to look after the poor countries of the world.

Carlsson on Corruption in Aid Programs

¶116. (U) Earlier this year Carlsson approached Swedish media to speak about the corruption scandal in Zambia. She did so, after being concerned by the silence in Swedish media on the issue. At the beginning of the summer, a corruption scandal was uncovered in the Zambian Ministry of Health. An investigation carried out by the

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Zambia Audit Office revealed that approximately \$7.2 million had been embezzled during the period January 2008 - 31 May 2009, \$3.8 million of which had been embezzled from a "basket fund" to which donors such as Holland, Canada and Sweden contribute. The remaining money was embezzled from the Global Fund, and from funds in the Zambian state budget. Sweden contributes to the Global Fund and the state budget through its general budget support, thus Swedish funds were also embezzled there. There are indications that irregularities have existed since the early 2000s.

¶117. (U) The Zambian scandal caused Carlsson to rethink corruption and aid in general, as she has been known for her "zero tolerance on corruption." For example, Carlsson is not convinced that development assistance per se never feeds corruption in the environments in which it operates. She now believes that, in today's world of development assistance, it is impossible to achieve zero tolerance against corruption. The best we can do now, Carlsson has said, is limit it.

Managing Corruption

¶118. (U) Sweden has now established processes for handling corruption

cases and set up an investigation team to look into any allegations of corruption. SIDA's own anti-corruption regulation was revised in December 2008 and is based on the approach to never accept, always act and always inform when corruption is suspected. Early in 2007, the Government had already tasked SIDA to report the measures taken to prevent the occurrence of corruption in initiatives financed by Swedish development assistance. In addition, the Swedish Agency for Development Evaluation (Sadev) was instructed in July 2007 to carry out an evaluation of the work done by the Ministry for Foreign Affairs and SIDA to prevent corruption in connection with Swedish funding in development cooperation.